

Neighborhood Networks

How Neighborhood Networks Centers Can Support Microenterprises

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U.S. Department of Housing and Urban Development
Office of Multifamily Housing

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**How Neighborhood Networks
Centers Can Support
Microenterprises**

This publication was developed by the U.S. Department of Housing and Urban Development (HUD) to assist in the planning and development of Neighborhood Networks centers.

The guides in this series offer “how to” information on starting a center, creating programs and identifying center partners, marketing and media outreach, sustainability, funding and much more.

These newly updated guides feature new contacts, resources, case studies and helpful information.

Neighborhood Networks is a community-based program established by HUD in 1995. Since then, hundreds of centers have opened throughout the United States and Puerto Rico. These community technology centers provide residents of HUD insured and assisted properties with programs, activities and training promoting economic self-sufficiency.

This guide was published in 2002.

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Table of Contents

Introduction	1
Why Is Microenterprise Important?	1
Guide to This Handbook	1
Chapter 1: Microenterprises and the Obstacles They Face.....	3
What Is a Microenterprise?	3
Challenges Faced by Microenterprises	3
Chapter 2: Key Components of a Successful Microenterprise Support Program	7
Features of Effective Microenterprise Programs	7
Chapter 3: Case Studies.....	11
Accion U.S. Network	11
Appalachian Center for Economic Networks (ACEnet)	12
Appalachian By Design (ABD).....	14
Women’s Opportunity Resource Center (WORC).....	16
Chapter 4: An Action Plan for Neighborhood Networks Centers	19
How to Determine What Services to Offer	19
Cooperation With Other Microenterprise Programs	25
Taking the First Steps.....	26
Endnotes.....	28
Neighborhood Networks Information.....	29

How Neighborhood Networks Centers Can Support Microenterprises

Introduction

Microenterprises are an important potential source of income for residents of HUD-assisted and/or -insured housing. Much entrepreneurial activity already is taking place in these communities. Residents pay one another to take care of children, cut each other's hair, or repair television sets. Much of this activity is informal, part-time, and home-based. Many of these entrepreneurs do not even consider themselves to be in business. With targeted support, Neighborhood Networks centers can help these entrepreneurs identify new market opportunities, use technology to manage their businesses, and increase their income.

All entrepreneurs face significant hurdles in starting businesses. For low-income people, the barriers are even greater. Not only must they contend with all the standard obstacles, they must also overcome the physical and social isolation of their surroundings. Neighborhood Networks centers can help in two ways: by linking these entrepreneurs to markets and services outside the housing complex, and by providing a supportive environment in which small business owners can get advice and technical assistance and network with one another.

Over the past decade, many microenterprise support programs have sprung up across the country. Most provide a combination of technical assistance and loans and grants aimed at helping low-income entrepreneurs start and grow their businesses. These programs are a valuable resource for Neighborhood Networks centers seeking to support microenterprise.

Why Is Microenterprise Important?

Supporting microenterprises has become a widely recognized strategy for addressing poverty, unemployment, and community deterioration. In 2000, there were an estimated 700 microenterprise development programs across the United States, up from approximately 100 a decade earlier. The *1999 Directory of U.S. Microenterprise Programs* lists 342 programs in 46 states, which together served 55,756 clients and loaned almost \$33 million in 1997. Programs tend to be small; half of them serve fewer than 100 clients per year.¹ Every month, new programs start. The programs recognize that most people have a fundamental ability to apply their talents, creativity, and hard work to better their lives. By supporting microenterprise, we give people a hand in building their own way out of poverty, rather than handing them money and keeping them dependent on support from others.

Guide to This Handbook

This handbook reviews the most effective approaches and programs for assisting microenterprises. It also identifies specific services that a Neighborhood Networks center might provide. The report is organized in four sections:

Chapter 1 defines microenterprises and reviews the obstacles they typically face.

Chapter 2 describes the key components of a successful microenterprise support program.

Chapter 3 offers six examples of successful microenterprise programs:

- Accion: Washington, D.C.
- Appalachian Center for Economic Networks: Athens, Ohio.
- Appalachian by Design: Charlestown, West Virginia.
- Working Capital: Cambridge, Massachusetts.

- Women's Self-Employment Project: Chicago, Illinois.
- Women's Opportunity Resource Center: Philadelphia, Pennsylvania.

Chapter 4 offers an action plan for center managers in starting to work with microenterprises.

Chapter 1: Microenterprises and the Obstacles They Face

What Is a Microenterprise?

By definition, microenterprises have five or fewer employees, including the owner. They are generally a sole proprietorship or family business and require less than \$25,000 to launch. Microenterprises tend to have poor access to bank loans because of their small size and lack collateral or experience. Most cannot afford to pay for business advice or office space. Some microenterprises grow into small businesses, but many remain small or part-time. Microenterprises divide into three categories.²

1. **Cash or Seed Businesses.** These microenterprises augment another source of household income. They generally have only a very simple cash in/cash out accounting and are often informal and not registered. The entrepreneur frequently engages in several different activities, commonly with seasonal or sporadic activity. Many entrepreneurs in this category do not even see themselves as small business owners.

Example: A woman with two children who collects welfare and earns additional income by doing manicures and haircuts out of her apartment.

2. **Self-Employment.** These individuals generate all of their income from their business. The product or service is generally more readily defined than the cash or seed businesses, and record keeping and accounting are more formalized. Self-employed people may also not be registered with any official bodies.

Example: A man who makes his living by repairing electrical appliances.

3. **Small Business.** These businesses have employees and may offer a variety of products and services. They have formal

accounting systems in place, although these are not always computerized and may be rather basic.

Example: A catering company that employs a driver and waiters and waitresses.

While all three types of businesses above are found in HUD insured and assisted housing, the majority of enterprises there are home-based self-employment offering specific services. The service sector is attractive because it requires little startup capital. Many low-income microenterprises combine their business with other activities, such as a job or childcare. In a study of 405 microenterprises, almost half depended on other sources of income beyond their businesses.³

Of this sample:

- 78 percent of the entrepreneurs were women
- 62 percent were from a minority ethnic or racial group
- 47 percent had gross monthly sales of under \$1,000

Challenges Faced by Microenterprises

Microenterprises compete in a complex and competitive marketplace. To succeed, they must overcome challenges in four general categories:

- Market information and access.
- Financing knowledge and access.
- Management.
- Moral support and networking.

Market Information and Access

To grow, microenterprises need to identify market opportunities outside of their immediate

community. This is especially important for enterprises in low-income housing because the local market, by definition, has low spending power. These enterprises need information about who prospective customers might be and help in connecting with them.

Specific examples of the marketing needs of microenterprises in HUD-subsidized housing include:

- **Measuring demand for a new or existing product.** Microentrepreneurs need to know who are their customers and competitors.
- **Pricing of products/services.** Inappropriate pricing is one of the major reasons for business failure. Microenterprises often price on a basic cost-plus formula without fully understanding all their indirect costs and without a clear feel for the price-sensitivity of their market. This can result either in pricing too high and losing customers or, more commonly, pricing too low and facing a loss.
- **Identifying customers and distribution systems.** Low-income entrepreneurs often lack the personal and professional networks that wealthier entrepreneurs rely on to develop markets. This means that their businesses have limited markets and fail to grow to their full potential. Most very small businesses are also less able to negotiate cheap transport or the best wholesale prices because they are such small-scale producers.
- **Negotiating contracts and structuring project bids.** Once microenterprises have identified potential customers, they are not always sure of the appropriate business language to use in project bids.
- **Preparing marketing fliers and brochures.** Microenterprises have difficulty in publicizing their services. They generally do not have access to desktop publishing and are often not sure what marketing materials should look like.

Stan needed a loan for the purchase of a new taxi cab for his business. He knew that owning his vehicle would increase his income by 50 percent, but because of his limited time in the U.S., he did not have an established credit history. As a result, he was unable to access credit through a traditional lending organization. Stan needed help to discover ways he could establish a credit history and obtain copies of his tax returns. A microenterprise network in Virginia assisted Stan in doing so, and even helped him obtain auto insurance for his new vehicle.

Financing Knowledge and Access

Most microenterprises cannot access credit from the formal financial system—banks, consumer credit, and credit cards—because they lack collateral or have a poor or nonexistent credit history. Many have difficulty presenting their business idea to banks, which typically require that borrowers show a history of repayment of credit card debt, mortgages, and other types of loans to demonstrate that they are a reliable risk. Many low-income people have never had access to credit cards and never owned their own homes. Others have had trouble making credit card payments. Quite a few have no banking relationship at all and conduct all their operations in cash. Often, there are little or no savings to fall back on in business downswings or in the event of personal problems.

Microenterprises typically raise capital from family members or, when possible, on credit cards. The use of credit cards to finance business operations can often result in low-income entrepreneurs getting into serious debt problems. Entrepreneurs in subsidized housing may not even have access to these informal means.

Community development financial institutions and microenterprise loan funds have sprung up to finance microentrepreneurs. One benefit of such initiatives is that they also provide hands-on technical assistance.

Many programs include the lowest income entrepreneurs in their target client base. Nevertheless, the geographic and social isolation of many subsidized housing

communities has made it difficult for such programs to effectively reach residents.

Management

New entrepreneurs often lack the basic skills and control mechanisms to operate a successful business. Among the most common limitations are:

- **Creating a basic recordkeeping system.** Many new microentrepreneurs do not separate their business costs from household costs. For a business to grow, the owner must accurately determine the costs of providing the service. Otherwise he or she will not price the service correctly. Without a basic recordkeeping system, the business activity will remain casual and probably not earn enough to sustain the entrepreneur.

Example: A woman who makes and sells baby clothes does not keep any records of the money she makes. When one of her children is sick, she spends all her money on medication. As a result, she has no funds to buy fabric for more baby clothes and cannot fulfill her orders.
- **Producing monthly or regular cash flow forecasts and financial statements.** Once basic recordkeeping has been established, the entrepreneur needs to consider financial planning. Many microentrepreneurs take a short-term approach, which can undermine the future of their businesses. The woman making baby clothes above could have avoided her problem by planning future cash needs and setting aside a reserve of savings to maintain her through unexpected problems. To access credit financing from one of the many microenterprise support programs, microenterprises are required to show financial statements.

- **Legal and tax advice.** Microentrepreneurs tend to begin without legally registering their businesses. Most are intimidated by the complexity of registering and afraid of the related costs. As their businesses grow, however, they may actually benefit from registration because they can make sales more openly or qualify for business-support grants.

Moral Support and Networking

Self-employment can be a lonely enterprise. All entrepreneurs need moral support and a friendly sounding board at times. Some benefit greatly from an informal advisory board or periodic consultation with experienced business owners. For residents of subsidized housing, common barriers include:

- Lack of awareness of and access to existing resources because of distance, not being well-informed, or not having a peer group of similar entrepreneurs.
- Fear of having informal business activity discovered and lack of confidence about how to approach local governments or potential suppliers and markets outside the housing project.
- Lack of experience in business language and personal presentation—down to the most basic level such as professional dress, how to approach a negotiation about price, or a presentation in application for a loan.
- Daily challenges such as access to reliable childcare, transportation, or business services, work space, and time management.

Chapter 2: Key Components of a Successful Microenterprise Support Program

Microenterprise support programs are extremely diverse. Some focus on a particular group of entrepreneurs, such as immigrants, women, or welfare recipients. Some programs grew up locally, while others are spread across the country. Most offer some combination of business training and access to capital. A growing number of programs have experimented with ways to help microenterprises access markets and build up savings and assets.

Features of Effective Microenterprise Programs

The best microenterprise support programs routinely feature most of the following elements:

- Outreach into the target constituency.
- Ongoing feedback.
- Intermediary functions.
- Ongoing support.
- Building networks.
- Prescreening participants.
- Asset building.

Outreach Into the Target Constituency

To be successful, the microenterprise support program must first reach its target constituency. This straightforward principle is actually somewhat complicated when the microenterprise is located in subsidized housing because operators are sometimes very reluctant to bring their businesses into the open. As a result, the program must make a special effort to create a nurturing atmosphere and encourage residents to have the confidence to come in for assistance.

For Neighborhood Networks centers interested in helping microenterprises, offering a menu of support services probably will not be sufficient. Many entrepreneurs simply will not avail themselves of such support without proactive outreach. The center needs to actively promote and market its microenterprise support services and resources. Center managers should survey the needs of resident entrepreneurs before designing programs and undertake conscientious outreach to explain why these services are important.

Ongoing Feedback

As several case studies highlight, the best microenterprise programs seek constant feedback from their customers. To make sure they are offering the optimal services for residents, Neighborhood Networks centers should talk to people about what they do, what services they need, and how they now access those services, such as computers, fax, or copy machines. Residents should help conceptualize and structure the services offered. Such a process not only ensures the microenterprise services will be relevant but it breaks down the barrier of unfamiliarity. One of the most effective ways to get entrepreneurs to participate in a support program is to have resident champions who encourage others to try the service.

Intermediary Function

Good microenterprise programs often link entrepreneurs to people and networks who can provide additional services to complement the core support program. For example, Accion New Mexico has an agreement with a local law clinic and accounting firm to offer free legal and accounting expertise to its clients. A local

grocery store gives free training in management and merchandising. In Ohio, ACEnet partnered with Ohio University to run an online community network where businesses can list their services and access information from within and outside their own community.

Neighborhood Networks centers should aggressively seek such links. If a particular microenterprise service is being offered by another nearby institution, it is usually best to cooperate rather than replicate its activities. This has the benefits of expanding the horizons and contacts of the resident entrepreneurs as well as freeing Neighborhood Networks center resources to concentrate on providing services that are not available elsewhere.

Ongoing Support

Microenterprise programs with the highest business survival rates usually emphasize ongoing technical assistance. Once a business is launched, the first year can be turbulent and requires constant reassessments and readjustment. Lower income entrepreneurs especially need help after they are already in business. A prime example is one of the entrepreneurs assisted by the Women's Self-Employment Project (WSEP). This woman entrepreneur had won the right to bid on a contract, but didn't know how best to structure or price the bid. WSEP guided her through the process. Obtaining appropriate advice and support at this stage can often spell the difference between success and failure.

Neighborhood Networks centers that want to support microenterprises should have someone at the center familiar with business issues. This would ideally be the center manager, but volunteers would also suffice if they have well-established hours when they are available to help.

Building Networks

Good microenterprise programs are continually experimenting with ways to allow entrepreneurs to learn from more experienced businesses and from each other. Accion New Mexico, for example, has established a successful mentoring

program that pairs established businesses with new Accion clients. WSEP is implementing an apprenticeship program that will place women on welfare in part-time jobs in relevant small businesses for 6 months. The business owner commits to meet with the WSEP trainee for a few hours per week. WSEP supplements this on-the-job learning with workshops and customized training. "By far the most useful training is not workshops but informal assistance that individuals provide each other," notes Jeff Ashe of Working Capital. "The group brings the molecules close enough that they bounce off each other and produce reactions."

"I called the Northeast Entrepreneur Fund to let them know that we would be filing bankruptcy. They helped me identify my choices to file bankruptcy, sell the business, or keep the business. They identified research I could do for each choice... I never dreamed that keeping the business would not only be possible... By the time we got to the end of the process... The business operation was running smoothly. Both cash flow and profitability were greatly improved."

From "Success Story: Makela Adult Care—Grand Rapids Minnesota" on the Association for Enterprise Opportunity's Web site, January 2002.

The Neighborhood Networks center could be a useful place for such groups to meet. The center manager could initiate foundation of these groups based on a common need, such as a training course or a savings group, or on a similar line of business, such as childcare, building maintenance, or catering. The center could then act as a point of contact for outside organizations interested in reaching these groups, such as potential suppliers, customers, or training organizations.

Prescreening Participants

Many microenterprise programs screen candidates or set up processes that encourage candidates to self-select. For example, the Institute for Social and Economic Development (ISED) in Iowa City, Iowa, structures the first three workshops of its entrepreneurial training as an orientation. Participants look at whether or not they have the characteristics of an entrepreneur, focusing on their personal

finances and their strengths and weaknesses. ISED then conducts a one-on-one session with each participant to discuss his or her idea and personal circumstances. At that point, 40 percent of the participants drop out. Only after this stage does ISED start with the heavier technical information about business planning.

Neighborhood Networks centers, too, need to recognize in establishing a support program that not every person is a potential entrepreneur. Many are not willing or able to deal with the stress, the loneliness, and hard work involved. When offering services for new entrepreneurs, centers should give them a realistic idea in advance of the pros and cons of running a business. At the same time, the center needs to strike a balance so as not to overly discourage residents who really do want to try their own business.

Asset Building

Focusing business growth solely on credit can be extremely risky. Many microenterprise programs have developed savings programs to help customers save on a regular basis and build a personal asset base. For example, many programs offer Individual Development Accounts (IDAs). With IDAs, savings contributions are matched by private-sector donations and customers are allowed to withdraw only for investments in education, a home, or their own business.

Neighborhood Networks centers can assume a key role in informing residents about the dangers of taking on unreasonable levels of debt and the tremendous benefits of a systematic savings plan. They can also introduce residents to banks to set up savings accounts.

Chapter 3: Case Studies

Accion U.S. Network

ACCION USA is a nonprofit supporting organization of *ACCION International*, a worldwide leader in microenterprise development. Founded in 1961, ACCION International oversees a network of microlending programs throughout Latin America, the Caribbean, sub-Saharan Africa, and the United States. Concerned about growing income inequality in the United States, ACCION International brought its Latin American lending model home in 1991, starting a program in Brooklyn, New York. Since that time, ACCION has built the largest microlending network in the United States.

ACCION USA's mission is to make access to credit a permanent resource to low- and moderate-income small businesses owners in the United States. By providing small or "micro" loans to men and women who have been shut out of the traditional banking sector, ACCION helps build their businesses and increase their incomes. ACCION sees business credit as a resource that can help narrow the income gap and provide economic opportunity, thereby stabilizing and strengthening communities and economies.

ACCION provides business loans and other support services in 30 cities and towns, and in 8 states in the United States, including California, Georgia, Illinois, Massachusetts, New Mexico, New York, Rhode Island, and Texas. The program emphasizes access to credit for existing microbusinesses or informal business activities, and offers training and technical assistance in the form of workshops, individual advice, and networking programs.

Lending Methodology

Accion offers three products:

- Group loans, in which 4 to 6 borrowers provide cross-guarantees for each other's loans.
- Small individual loans.
- Large individual loans.

Loans range from \$500 to \$50,000 with terms of 3 to 36 months.

Accion's experience has been that capable, credit-worthy entrepreneurs do exist in their target communities, and they need Accion because they do not have the credit histories, collateral, or business experience to access conventional bank loans or other sources of credit. Accion requires that the borrower has been "in business" for 6 to 12 months, so these customers can immediately invest the loan proceeds and generate cash flow from the business. Although group lending is used widely throughout Accion's Latin America network, the U.S. experience has been that some communities react positively to group lending, while in others, the ties of trust between people are not strong enough for entrepreneurs to link their future business success to someone else. The group loan product has been most successful among the recent immigrant population in New York City and among taxi drivers in San Antonio.

Other Assistance

Accion borrowers benefit from one-to-one support from Accion lenders, who often help with business planning and accounting questions. However, because the Accion Associates themselves are working to become financially self-sufficient, they try to minimize their costs of technical assistance to microenterprises. This has led the Associates to coordinate with other organizations and businesses in the community to provide support and networking services.

Services From Local Private Businesses. For example, Accion New Mexico has agreements with a local law clinic and accounting firm to provide free access to legal and accounting expertise, and a local grocery store gives free training in management and merchandising to Accion New Mexico's borrowers.

Peer Mentorship. Accion encourages borrowers to form groups to offer each other information and support. In El Paso, for example, a membership association has been started with a reference library and a newsletter.

Business Mentorship. Accion identifies successful businesses in the community that are willing to dedicate time to mentoring Accion clients. In New Mexico, for example, a successful family-owned food business has provided invaluable support to Accion clients in the food sector. Key to success is that the mentoring business commits a specified amount of time per week for the relationship.

Ambassadors for Accion. Clients with a good track record at Accion go next through formal leadership training for a week and then become spokespersons for Accion in the community. This helps Accion raise its profile. The ambassadors raise funds for Accion's activities and help attract new clients. Representing Accion in the community gives the ambassadors valuable experience in public speaking and access to a much wider range of potential business contacts.

Useful Observations for Neighborhood Networks Centers

- Microbusiness activity can be very common in populations with an entrepreneurial culture, although often informal and part-time in nature and therefore "invisible" to most observers.
- There are many opportunities to link local microbusinesses with other resources in the community, including local businesses, local professional service firms (accountants, lawyers), and each other.

- Language barriers can be significant, and a Neighborhood Networks center might make a significant impact on local businesses if center staff can identify an accounting or law firm with the necessary language skills that is willing to hold office hours in the neighborhood (either on a pro bono or paid basis).

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Appalachian Center for Economic Networks (ACEnet)

Founded in 1985 by community residents intent on transforming the depressed economy of rural Appalachian Ohio, ACEnet focuses on civic networking. The group's work has been enhanced in recent years by computer technology.

ACEnet's Keys to Success

1. An emphasis on networking and setting up partnerships with other organizations rather than on doing all training and support itself.
2. A focus on higher value businesses, such as computers and specialty catering, that can generate good earnings, rather than marginal microenterprises that tend to still leave business owners living at or near the poverty level.
3. Use of technology to expand networks beyond the local area.

ACEnet currently works with over 200 farm families, startup entrepreneurs, and very small manufacturing firms focusing on high-value specialty markets for specialty food and wood products. Most are family businesses or have fewer than five employees. ACEnet's experience shows that such businesses critically

need access to and training in new technologies to compete successfully in high-value markets.

Training

Business development. ACEnet has identified other groups that provide general business training, and refers clients to a local network of business assistance providers for general entrepreneurship training. ACEnet concentrates on targeted programs.

Industry specific. ACEnet staff assists with the development of sector-specific business plans, costing, legal structures and regulations, and financial systems through workshops and one-on-one technical assistance. ACEnet also runs a community kitchen incubator with a licensed kitchen and retail space for entrepreneurs in the food industry to develop and test-market new products. Special courses are held in this incubator for new entrepreneurs in the food sector.

Networking

Online. ACEnet's administers the Southeastern Ohio Regional Freenet (SEORF) jointly with Ohio University to give local entrepreneurs a chance to advertise their services and access contacts with potential customers, suppliers, or partners. ACEnet has produced an online manual to help other organizations design community networking programs.

ACEnet is currently setting up an interactive conferencing area on SEORF in which businesses can hold private conferences, make deals, and work on joint product lines. ACEnet is also organizing specialized training forums, focusing on such topics as equipment options and loan application processes to purchase new technology.

ACEnet has made it possible for 26 Ohio entrepreneurs to access new markets through the Public WebMarket, an Internet commerce project directed by the Center for Civic Networking www.civic.net/ This project not only enables small enterprises to reach distant

markets. It also provides an excellent profile of potential customers for participating businesses.

Industry groups. ACEnet collects and distributes information which firms can use to develop and sell high-value products. The information includes data about trends in various business sectors, which ACEnet entrepreneurs can use to identify new product possibilities. ACEnet surveys retail outlets to identify new areas of product interest and can put its entrepreneurs in touch with consultants who can help with such tasks as label and image development.

In addition to helping new microenterprises, ACEnet also works with established firms seeking to expand. ACEnet encourages creative partnerships in the food, furniture, or computer services industries. For example, local restaurants contract with startup firms for new specialty food items. Groups of companies producing canned or bottled products buy supplies together to get economies of scale. Other companies engage in joint marketing.

Incubator. ACEnet's small business incubator provides entrepreneurs rental space while they start up their enterprises, as well as affordable access to computers, fax services, and copiers. ACEnet's experience is that the incubators serve as networking hubs in which entrepreneurs can get to know each other. This provides peer support and possible business contacts.

Networking outside the region. With the support of the Ford and Charles Stewart Mott foundations, ACEnet recently convened a pilot group of 10 organizations, all working with specialty foods firms, to design an online and face-to-face network. Participants came from microenterprise assistance providers, training organizations, and community development corporations from nine states and the District of Columbia. This group identified five potential joint projects. Before the meeting had ended, the group from Maine had begun developing a supply relationship with participants from Washington State, which needs Maine's surplus dogfish in cancer-preventative products.

ACEnet will be sharing the results of this national pilot with local firms and service providers.

Useful Observations for Neighborhood Networks Centers

- ACEnet's focus on a few sectors (clusters of businesses in the same industry) has allowed it to become an "expert" and share that collected knowledge with each business. A Neighborhood Networks center manager might focus on particular types of businesses that are in his/her community so he/she can add greater value. For example, a focus on how to get childcare providers licensed and eligible for federal assistance and/or reimbursements and on projecting cash flows and budgeting, could help create viable childcare alternatives in the community. The use of technology to connect their clients with national and other resources illustrates how important that capacity is to help businesses grow and transform into small businesses.
- One of the most important functions that ACEnet provides its customers is feedback from the marketplace. As mentioned earlier, microentrepreneurs can be very isolated from industry resources, trade publications, and other resources that provide invaluable information on customers and competition. This can be very local knowledge or links to national trade groups.

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Appalachian By Design (ABD)

ABD finds markets for rural women who produce handloomed knit goods. Founded as a project of the Center for Economic Options in Charlestown, West Virginia, in 1991, ABD became an independent nonprofit in 1994. The organization works with knitters and crocheters who are interested in becoming self-employed, home-based producers of high-quality products. ABD offers skills training, researches the market, secures contracts, and helps the knitters form teams to produce volume orders that none could commit to on her own. A steering committee of knitters helps govern the organization.

A Market-Driven Economic Development Strategy

ABD links Appalachian women to the handloom apparel markets on the east and west coasts. Such marketplace connections previously did not exist. New customers come through marketing efforts at wholesale shows, promotional articles sent to the press and prospective customers, and referrals from current customers.

The knitwear produced by ABD's network is sold in boutiques and specialty stores at retail prices ranging from \$75 to \$300. ABD is developing a new market for handloom goods in home furnishings. ABD targeted the handloom knit goods industry because that sector offers work that builds on the existing skills of many rural women, pays above the minimum wage with opportunities for increased earnings, and can be done at homes in remote locations.

ABD's flexible business network organizes the knitters into teams that pool their skills and production capacities to satisfy contracts. Few of the women currently in the network were originally production knitters. Most have received a significant amount of training from ABD.

ABD enhances the value of rural women's skills by offering a range of market-driven training opportunities and by helping them earn a reputation for quality.

Useful Observations for Neighborhood Networks Centers

- ABD serves as the link between the producers (the microentrepreneurs) and the marketplace, and created a business in the process of filling that missing role.
- ABD helps coordinate the women so that they can work in teams to satisfy larger contracts and maintain production levels. In this case, ABD acts as the contractor but a Neighborhood Networks center might help facilitate the role or a link with another larger business that wanted to engage the microentrepreneurs' services.
- ABD educated the knitters about the quality standards and business expectations from customers, allowing them to provide products that will be purchased and generate revenues for the knitters. The focus on markets and customers was critical to ensure that sales volume developed and earned profits and cash flow to the knitters.

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Working Capital

Working Capital was established in 1990 to provide loans, training, and networking opportunities to low-income entrepreneurs in northern Massachusetts and southern New Hampshire. The heart of Working Capital's methodology is the formation of groups of entrepreneurs who save together, lend to each other, and provide peer support and technical assistance. Working Capital also works with existing community groups, providing them instructions and training materials to become Working Capital affiliates.

Group Lending and Training

Working Capital entrepreneurs run and manage their own groups. Working Capital holds an

initial orientation session at which entrepreneurs can meet and learn about the program. Those who remain interested then attend a training session to learn how to develop a cash flow analysis and how to evaluate a business plan and loan application. After this meeting, the entrepreneurs form groups, in which most of the rest of the training takes place. The Working Capital training manual walks them through the loan application and approval process, electing officers to manage the group, and establishing the group's charter and rules. The groups work through these at their own pace—writing their own charter, meeting regularly to move through the training modules, and accepting or denying each other's loan applications.

Each loan is guaranteed by the entire group so that if one member does not repay, the rest of the group has to make up the missing sum for the payment. This structure relies on peer pressure and assistance to help ensure repayment, rather than traditional collateral. The lending process is strictly structured, and loans range from \$500 to \$5,000. The terms of the loans start short at 4 to 6 months and get longer as the borrowers prove their creditworthiness. During the early rounds, borrowers learn about the borrowing process and also build trust with each other.

Once loans are made, the group meets every month to provide business support to each other, to exchange ideas and contacts, and perhaps to conduct additional Working Capital training modules. The training modules are videotaped training sessions prepared by Working Capital that address specific skills and tools for better business planning and management. According to Jeff Ashe, founder of Working Capital, the peer networking and problemsolving is a critical element of the program's success. One survey showed that about 40 percent of members have conducted one or more business transactions with another member of the network.

The groups have been so successful that Working Capital is now developing a regional network of all participating group members. Entrepreneurs who are not in lending groups can become associates, enabling them to participate

in the networking but not giving access to capital. The network has already been launched in Massachusetts and Delaware and is working well.

Useful Observations for Neighborhood Networks Centers

- Members consistently cite the support and business assistance from their peers in the groups as one of the most valuable benefits to belonging to Working Capital. Microbusiness owners can be very effective leaders and partners with each other, if they are motivated and committed to their businesses and their own success. In a group, the members need to assess and be comfortable with each other before trust can develop.

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Women's Opportunity Resource Center (WORC)

WORC promotes self-sufficiency for low-income women and their families, targeting female-headed households, welfare recipients, and dislocated workers in Philadelphia and five surrounding counties. WORC helps the women start their own business enterprises or expand existing ones. There are waiting lists for all of WORC's training programs. Many of the training participants are funded by JOBS programs.

WORC's activities grew out of a study conducted in Philadelphia in 1985, in which 150 female business were interviewed. The study revealed that:

- Women start smaller businesses than men.
- Women encounter large gaps in access to financial and other resources.

- Women experience common barriers to entry into the business world, including poor access to credit, centralized information, and referral services.

Preselection of Participants

Recognizing that not every person is an entrepreneur, WORC selects participants based on their product knowledge, transferable skills, and a clearly articulated idea for a business that can be started for less than \$10,000. Applicants complete an application form and are then interviewed, first on the phone and then in person.

Training and Business Support

WORC provides a combination of formal training courses, one-on-one business support and advice, and other self-help and networking support.

WORC sponsors two formal training courses:

- Self-Employment Training (SET).** This structured, intensive, 10-week course serves low-income, unemployed, or underemployed individuals. The training is divided into two phases. In the first phase, participants evaluate the feasibility of their business idea and assess their personal readiness for business ownership. This includes thinking about how they will manage both their personal and family responsibilities as well as the business. Training in this phase covers such basic life skills as how to approach a potential supplier or customer and how to dress. WORC recognizes that many of its clients are isolated from the business community and need additional help to gain confidence in their professional skills. Class discussion topics include how to choose child care, how to put client needs before your own, how to deal with macho attitudes, and how to be strong but polite. WORC also offers advice on other organizations that can help women with specific issues, such as women's organizations that can help in cases of discrimination.

After phase one, participants go through the application and interview process. Those who decide not to start businesses can access job placement and referral services through WORC. Those who do opt for entrepreneurship receive training on writing a business plan and testing the business idea. Trainees carry out five specific assignments: a marketing plan, an operations plan, financial projections, an oral presentation of the business plan, and a complete written business plan.

All trainees are also required to save \$10 per week. They can save individually or in groups. If they form a group, they choose leaders and a goal for their group savings. These groups often continue after the training and provide an important source of peer group support for the new entrepreneurs. The capital they save can be used to leverage credit, or the group can lend money to each other.

About one-third of the SET participants are on welfare and another third are dislocated workers. The training is free.

2. **Start Smart.** This more streamlined course is for women who are more advanced and confident. It is typically offered as an evening class and provides the key business planning concepts without the additional handholding provided in Self Employment Training. The course costs \$60; its clients are often already in business.

Capital

WORC does not engage in direct lending. Instead, it has established relationships with local banks and government agencies. It runs a loan guarantee program for graduates of its training programs in which WORC helps the entrepreneur package her loan request and refers her to a bank participating in the guarantee program. The guarantee is for up to 30 percent of the loan. WORC is also an intermediary for the U.S. Small Business Administration's "prequalifications" program for women-owned businesses.

Other Support Services

In addition to formal training, WORC has initiated various other services:

- **Peer group networking program for program graduates.** WORC sees networking as a crucial component of success for its entrepreneurs because low-income women often lack the contacts necessary to find suppliers and markets. WORC is including in its new training courses a class on how to network, how to make cold calls and how to pursue contacts of potential importance to a woman-owned business.
- **Mentoring programs.** WORC experimented with these but found that most companies expected to act as mentors could not find sufficient time. WORC decided to move towards peer groups, in which all members are willing to commit because they see the benefits.
- **Market access program.** WORC helps its entrepreneurs access contracts and tries to bridge the gap between its trainees and the larger marketplace.

WORC stresses the need for community outreach and involvement in the design of its programs. For example, WORC operates a computer center, but recognizes that many of its target entrepreneurs may not understand the relevance of computers to their work. As a result, WORC makes sure its trainees know what services the center offers and are showed how to use the center on their first visit. Many of WORC's clients are already engaged in informal entrepreneurial activities and are afraid that their relationship with WORC or any other official service provider might result in tax implications they do not understand. Only personal relationships with WORC trainers can allay these fears. WORC regularly seeks feedback on the content of the programs and other services provided.

Useful Observations for Neighborhood Networks Centers

- WORC is a good example of an organization knowing its customers and developing products or services that will meet their needs, rather than starting with a product and then searching for customers.
- Many training and support organizations like WORC exist and Neighborhood Networks centers should find out what organizations are in their area, what services they might offer to the Neighborhood Networks centers' customers, and how to refer people to those organizations most effectively.

- Women have some special needs in starting up and running their own businesses. These should be served either by the Neighborhood Networks center directly or through putting women entrepreneurs in touch with women's groups in the areas that can help them.

Women's Opportunity Resource Center

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Chapter 4: An Action Plan for Neighborhood Networks Centers

Each Neighborhood Networks center can carve out its own distinct set of services to offer microenterprises. Not all possible services will be appropriate for every center, so it is important to identify early the services most appropriate for the local market and keep to a manageable number of initiatives. Wherever possible, the center should bring in outside expertise rather than provide services itself.

How to Determine What Services to Offer

The package of microenterprise support services offered depends on four factors:

- The capabilities of the Neighborhood Networks center manager.
- The funding sources that can be tapped.
- The needs of the resident population.
- The other local resources the center can access.

The Capacities of Its Manager

If the manager has business skills, he or she can offer microentrepreneurs personal counseling to complement other more formal training. If the manager is very computer proficient, he or she might concentrate more on providing training for microentrepreneurs in that sector. Wherever the manager lacks experience, it might be necessary to bring in outside help.

Funding Sources

There are three primary ways to finance microenterprise support programs:

- **Government grants.** Funding for adult education, welfare-to-work, and employment training are available from the U.S. Department of Labor, the Department

of Education and the Department of Health and Human Services. In addition, local housing authorities may have extra welfare-to-work dollars to support microenterprise programs. The Neighborhood Networks Web site www.NeighborhoodNetworks.org provides links to these and other organizations that provide financial support to microenterprises.

- **Fees for services.** Centers can charge fees for microenterprise support services to individuals who are not part of the Neighborhood Networks community.
- **Partnering.** Centers can form partnerships with nonprofit organizations that have already accessed financing for microenterprise support activities and need additional participants.
- **Additional resources.** Neighborhood Networks Centers that are recognized by the IRS as nonprofit organizations can use their 501(c)(3) status to expand funding sources, including tax deductions for donors and expanded availability of a wide variety of governmental and private business assistance. Call the Neighborhood Networks Informations Center at (888) 312-2743 for additional information or to learn how to begin the process to seek 501(c)(3) status.

The Needs of the Residents

The types of services will depend on how many entrepreneurs and would-be entrepreneurs live in the Neighborhood Networks community. Determining this will take research and outreach since many entrepreneurs in low-income housing are secretive about their activities.

Other Local Resources

The most effective programs introduce residents to outside organizations and microenterprise

supports, including accountants, lawyers, computer technicians, successful small businesses, and other business-related parties. The services available in each locality will vary, and the center may want to complement those services with others not available elsewhere. If a center is particularly successful at providing such services, it may find it can sell the service to others outside of its housing community.

Optimal Microenterprise Services to Provide

Under the best circumstances, Neighborhood Networks centers would provide a combination of some or all of the following types of support services for microentrepreneurs:

- Access to technology.
- Business Incubator.
- Information resources: rolodexes.
- Broker.
- Ongoing support and encouragement.

Access to Technology

Most microentrepreneurs would benefit from access to computers and other office equipment. Neighborhood Networks centers could establish a business resource center that would ideally be accessible beyond standard business hours. To address security issues, one possibility being explored in centers we interviewed was a codified lock that would allow approved residents to enter at all times. Some computer centers targeted to low-income populations are practically unused. Based on our research, the keys to achieving a high level of center usage are:

- Long hours of operation.
- Outreach to educate community residents about computer applications of direct relevance to their businesses.
- Staff who can lead first-time users through the systems.
- Software specifically designed for entrepreneurs, including accounting software, desktop publishing to produce

marketing materials, and word processing for preparing business plans and proposals.

- Standard computer systems so that new users will not be confused by a new setup or new system at each sitting.
- System for recording individual computer users.
- Equipment that works. Heavy usage of computers leads to frequent occurrence of problems that are relatively easy to solve. But if users often find the equipment not working properly, they will quickly become discouraged.

Cyberskills. One group that has succeeded in overcoming low-income residents' fear of technology is Cyberskills Vermont. Established with HUD Enterprise Community funds, this nonprofit receives funding from donations from local private businesses, Verizon, and a recent grant from the Department of Education. Cyberskills sponsors workshops that offer job seekers, business owners, nonprofits and groups an introduction to information technology and a framework for planning for their next steps. The initial awareness-raising sessions build confidence. Cyberskills has a high success rate of return participants to its one-day workshops. They have indicated a strong interest in working with Neighborhood Networks centers, and suggested a first step might be to hold a training workshop for center managers.

Contact: Lauren-Glenn Davitian, Executive Director, Cyberskills

Phone: (802) 862-1645, ext. 12.

E-mail: davitian@cctv.org

Use of Volunteers. Centers could attract volunteers to teach computer, bookkeeping, or desktop publishing classes and provide individualized assistance. Center managers should be sure to check the skills and experience of volunteers and, importantly, to ensure they are able to commit for a specified time—for example, a specific time and day each week for a predetermined number of weeks or months.

Surfing the Web. Centers should provide low- or no-cost access to e-mail and to the World Wide Web. The center could also set up a Web site to enable outsiders to find out about the activities of the community and set up a virtual post-board for those needing and offering services. Multiple centers may be able to share Web sites or commission other centers to design them. One community computer center we interviewed ran successful clinics to introduce small businesses to the Web. This useful service could be run by a computer-proficient center manager or an outside trainer.

One organization that may be able to help Neighborhood Networks centers become more familiar with the Web is CTCNet, a nonprofit network of more than 600 community centers working with youth, small business, housing, and other community-related issues. CTCNet affiliates include about 30 Neighborhood Networks centers. The cost of becoming an affiliate is \$100. Membership in the CTCNet community provides you with a number of central staff-supported resources and a group of regional coordinators as well as the expanding community of affiliates, associates, and support-groups. Affiliates can contact other CTCNet members online or attend in-person meetings. CTCNet distributes a monthly newsletter and sponsors special interest groups on issues of interest to its affiliates, including youth issues and adult education. CTCnet plans to start a group on microenterprise and small business.

Internet Marketing. Internet marketing offers entrepreneurs a way to broaden the market for their products and services. Most businesses that operate on the Internet use a straightforward approach. The business offers the products or services on a Web site where customers can place orders. Internet marketing may be another area where multiple Neighborhood Networks centers can collaborate with each other or with outside Internet marketing services.

One example of a potential Internet marketing partner is Civicnet in Washington State. This virtual business incubator offers a Web site for shoppers to connect with small and medium-sized companies. Funded by the U.S.

Department of Agriculture and the Kellogg Foundation, Civicnet currently lists over 60 companies nationwide. Service is free. The target market is small businesses, which work with community centers and offer business advisory services. Civicnet's director, Richard Civile, says his group is interested in working with Neighborhood Networks centers with a high level of computer competence, although funding would need to be arranged.

There is some risk that Neighborhood Networks centers could be legally liable for the services provided by companies accessing the Internet market through the centers. Legal advice should be sought and shared with the Neighborhood Networks program so other centers can benefit. Disclaimers issued on the Web pages should state that any business transaction is between the customer and the business, not with the Neighborhood Networks center.

Another issue for centers is method of payment. Internet customers typically pay with credit cards. Unless a business has a merchant account, however, credit card payments cannot be accepted. The alternative is to request payment by check or for the center to take on a merchant account for microentrepreneurs to use by proxy. This latter option should be explored only with caution since it is likely to increase the center's legal liability and has accounting repercussions.

Examples of Successful Internet Marketing

A Virginia coffin maker was selling about four hand-made pine coffins per month. He decided to advertise on the Web. In the first week, he received 1,000 orders, partly because his coffins were far cheaper than his competition and of good quality. After an initial period of panic, he identified subcontractors to help him complete the orders. Better preliminary planning and market research would have left him far better prepared for the surge in production.

A North Carolina woman had a small home-based craft business selling canvas-backed chairs for children. She put her business on the Civicnet system and got a request for a proposal from a wholesaler for 7,000 items. With the help of her local small business advisor, she put together a winning bid using subcontractors to produce the parts. Without the local advisor, she never would have known how to prepare the bid or how to scale up her production to such large volumes.

Internet marketing is generally successful only when part of a larger marketing strategy. An enormous response to an Internet ad alone (such as in the example of the Virginia coffin maker) is extremely unusual.

Business Incubator

Neighborhood Networks centers might consider offering business incubator services. The most feasible is probably to partner with an organization that specializes in running incubators and which would be willing to manage one using the center's space and technology. Before deciding on this type of service, centers should consider three crucial issues:

- Is there an adequate number of entrepreneurs or potential entrepreneurs in their community to make the service worthwhile?
- Is this the best use of the space and technology given that a large portion of the center might have to be dedicated to incubator use?
- Does the center intend to support startup businesses? If so, the level of support required will exceed what incubators typically offer.

If a Neighborhood Networks center determines an incubator is a good idea, two types of incubators are worth considering:

General incubators. This incubator offers shared office space where multiple enterprises handle their administrative needs. This is not where the enterprises make their products or conduct their services, which typically remains in their homes. The general incubator provides a receptionist and administrative support, computers, telephones, faxes, meeting space, and bookkeeping services. Neighborhood Networks centers could supplement these administrative services with training in business planning, help with proposals, and other business advisory services. The business would be expected to move out of the incubator after a predetermined period. The National Business

Incubator Association has helpful information and advice that could help Neighborhood Networks centers that decide to take this route.

Phone: (740) 593-4331

Web site: www.nbia.org

Sector-specific business incubators. If the Neighborhood Networks community has a collection of entrepreneurs in the same business sector, it might be worth setting up a sector-specific incubator. An example is the kitchen incubator operated by ACEnet, which offers licensed cooking and retail space for entrepreneurs in the food industry to develop and test market new products. Special courses are also conducted in this incubator for new entrepreneurs in the food sector. Such an incubator can provide both training and joint marketing and supplier relationships. However, it requires a sector specialist to manage startup and operations and is clearly a large additional expense. Nevertheless, sector-specific incubators may be feasible for centers with experience in supporting microenterprises and a partner organization.

Information Resources: Rolodexes

Neighborhood Networks centers have a potentially new and important role in bringing information about helpful services to their communities. The local reference library would be a good source of support. The information should contain not just a list of names of organizations, but also a person the Neighborhood Networks center manager has contacted and is willing to act as a liaison. This requires a great deal more preparatory work but greatly enhances the functionality of the rolodex service.

Among the types of organizations to be included are:

- Local authorities—for business registration and licenses.
- Local Small Business Development Centers.
- Community colleges that provide vocational training.

- The local chamber of commerce.
- City business development offices.
- Small business lenders.
- Women's support groups.
- Training programs.
- Microenterprise support and credit programs.
- Accountants and lawyers willing to volunteer their time or provide less expensive advice.
- Banks willing to open relatively inexpensive accounts for microenterprises.

Directory of model forms. Microentrepreneurs would also benefit from easy access to models of commonly used business documents, such as business plans, marketing fliers, proposal letter structures, and pricing models. Many business plan models are on the market. The Neighborhood Networks center could display plans that are most appropriate for small businesses like those in their communities. Forms could be borrowed or modeled from existing microenterprise programs.

Broker

A key role for the Neighborhood Networks center in supporting microenterprise is to link these enterprises with other organizations, such as:

- **Financing sources.** A center could invite microenterprise programs that offer financing to conduct their training, orientation, and client interviews at the center.
- **Training courses.** A center could invite microenterprise trainers to offer courses at the center in business planning, bookkeeping, or marketing. Seminars could also be provided on such issues as legal registration, tax questions, and pricing.

- **Relations with local authorities.** The Neighborhood Networks center manager should get to know people in local government with responsibility for small businesses regulation and programming and find out what benefits are available to microentrepreneurs who register or license their activities. The manager can then facilitate relations between entrepreneurs in the complex and the local authorities. As they grow, many small businesses would benefit from becoming more formal, which could help them gain access to government grants, bank loans, and, in some cases, a wider range of clients. But entrepreneurs need to have the advantages of such an approach clearly explained and to have someone guide them through the process of licensing, zoning, permits, and Internal Revenue Service requirements.

- **Accessing markets.**

- Access to housing authority contracts. The Chicago Housing Authority allocates as many of its contracts as possible to residents. A loan fund helps resident entrepreneurs fulfill the contracts. Microenterprise support is offered through WSEP. Access to reliable contracts from HUD or the housing manager/owner is a solid safe first step into business. Some entrepreneurs will develop their businesses from that point by finding additional clients for the same service.

Neighborhood Networks centers can act as go-betweens for residents and their property managers—advising managers on the types of services (construction, landscaping, car wash, and maintenance) that could be procured from the community and letting residents know what services property managers are seeking. Such a list could be posted at the center, which could help the residents create proposals for these contracts. Microenterprise

programs might be willing to cooperate in providing loan funds.

- The center could identify sectors in the community to which clusters of microentrepreneurs are operating and help them come together as a group to sell their product.
- The center could be used as the site for a trade fair, where representatives of business associations and wholesalers or other potential clients from outside the community are invited to view the products and services offered by entrepreneurs in the housing community.
- The center could collect and display information on nearby companies that source the types of good and services being made in the served community.
- **Helping purchase supplies in bulk.** For example, through ACEnet, groups of companies producing canned or bottled products buy supplies together to get economies of scale.
- **Helping target-specific sectors.** Childcare is one example of an enterprise that frequently operates informally in subsidized housing. Many of these entrepreneurs may want to expand their operations and become legal. In Philadelphia, the Commerce Department sponsored a pilot program to help people establish childcare businesses. Nonprofit groups took the childcare entrepreneurs under their wing and helped them become legal businesses.
- **Supporting peer networking.** The Neighborhood Networks center can offer its services as a meeting room for groups of microentrepreneurs.
- **Helping microenterprises with savings programs.** The center might sponsor savings programs directly, providing space for savings groups to meet and arranging with a local bank to administer the savings

accounts. The center manager would need to survey local banks to determine that was receptive to a savings program and gave the lowest fees and highest return.

Alternatively, there might be organizations operating close to the center that already run savings programs and might be willing to operate a program at the Neighborhood Networks center.

- **Apprenticeship programs.** Apprenticeship programs have historically been the main training ground for a wide range of enterprises. In the developing world, microenterprise support programs have reintroduced this idea with great success. Apprenticeships provide low-cost training in useful skills, with broad exposure to business realities, and an opportunity to cultivate the social and economic networks needed to overcome obstacles to self-employment.⁵ WSEP (profiled in Chapter 3) has started an apprenticeship program, targeting women on welfare, placing them in part-time jobs for 6 months in small businesses. WSEP also offers the women workshops and customized training. Half of the participants' wages are paid by WSEP and half by the business owners. This type of program has also been successful at the Good Faith Fund in Arkansas.

Neighborhood Networks centers could offer apprenticeships, identifying local companies willing to take on unemployed residents for 3- to 6-month stints. The program might be best carried out with a partner, such as a microenterprise support program. In the best apprenticeship programs, companies commit to provide training and a predetermined period of time per month that the business manager will spend training the employee. The salary costs might be slightly more than welfare payments and might be shared between the employer and the center. In successful apprenticeship programs, residents graduate with a job in the apprentice sector or with the experience necessary to start their own businesses. In operating apprenticeship programs, a major issue is pre-selecting candidates carefully.

Ongoing Support and Encouragement

Whatever collection of microenterprise services the Neighborhood Networks center offers, a key to success is continuing individual support. Often, this will need to be provided by the center manager. Among the new entrepreneurs' ongoing needs are:

- **Advice on how to use the Neighborhood Networks center resources.** Provide individuals with an orientation to the center, explaining the services available, and how to get started.
- **Help dealing with specific questions.** While generalized training programs are very helpful to microenterprise development, every participant will still have his or her own unique questions. Unless someone can provide the answers, the fledgling entrepreneur may become discouraged. For example, a business might win the right to bid on a contract with the property manager but not know how to structure the proposal. Or a young enterprise might find a new category of customer for its service but not know how to price that customer. In another example, a resident might secure a loan from a partner microfinance program but need help in fulfilling recordkeeping and reporting requirements.

Cooperation With Other Microenterprise Programs

The number of microenterprise programs in the U.S. is growing rapidly. In its *Directory of Microenterprise Programs*, the Aspen Institute reported that in the year 2000, there were an estimated 700 microenterprise development programs across the United States, up from approximately 100 a decade earlier.

The training, lending and savings elements of microenterprise support require considerable experience and capital. It is therefore preferable for Neighborhood Network centers to cooperate or partner with microenterprise programs rather than try to set up all of these activities

themselves. To identify a good partner, the Neighborhood Networks center manager should:

- Identify the microenterprise programs operating in your region by checking the Aspen Institute directory or the Association for Enterprise Opportunity.
- Set up telephone interviews to preselect programs based on their initial interest in a partnership.
- Visit selected microenterprise programs and interview their directors. Subjects to cover include:
 - Target market of the program. How well does the program's focus match your center's community? Does the program deal with startup businesses or only those which have been in operation for some time?
 - Combination of training, financing, and savings. Is the training program credit-led or training-led? If it provides credit, is it group or individual lending?
 - Loan size and terms. What size loans does the program make and for what period? Or does the program refer customers to banks for financing? What types of businesses are normally included? Can the program work with startup entrepreneurs?
 - Repayment rate. What types of collateral does it take for loans? Does this match the capacities of potential borrowers in your community?
 - Technical assistance. Does the program support its borrowers with technical assistance once they have started their businesses and taken a loan?

It might be very helpful for the center manager to take on this site visit a couple of entrepreneurs from the housing community to get their responses on how useful the microenterprise program can be to them.

- Identify an individual at the microenterprise program who wants to take a continuing interest and be the contact for your Neighborhood Networks center.
- Set up a first step for cooperation. The program could run a training course or hold an initial orientation at the center. The manager would take responsibility for promoting the program within the community and attracting entrepreneurs to come to a first meeting.

Taking the First Steps

To determine the best package of services for your center, the needs of the community and the available resources should be clearly identified. First steps would be:

- Check the property rules in the complex where the center is located for any prohibition on conducting business operations out of the housing units. HUD supports microenterprise programs and has no regulations against such operations, but some building owners may. Also, check the local ordinances that apply to the property for similar rules or prohibitions. It is important to be able to explain these rules, or their absence, to residents who want to launch a small business from their homes.
- Establish a group of volunteers willing to be available on a regular basis at the center to provide one-on-one help to entrepreneurs in using computer programs.
- Hire a manager with at least basic business and computing skills and a commitment to creating a user-friendly environment for center clients.
- Search the HUD Neighborhood Networks Resource Database www.NeighborhoodNetworks.org for good sources of funding for microenterprise programs or information about how to tap other microenterprise supports.
- Establish focus groups of residents who run their own businesses. Interview them about their main needs. Get their opinions on which services they would use and why. This will have the double effect of spreading information about the center's upcoming program and enabling the center to tailor services to the needs of its own community.
- Interview other organizations in the region to identify potential partners and other useful support services for entrepreneurs. Identify a contact person at each organization who is willing to act as a liaison with the center. Compile a database of these services that can be easily accessed by Neighborhood Networks center entrepreneurs. The types of organizations to feature include local microenterprise funds, small business advisors, associations and networking groups, women's groups, the local housing authority, computer training centers, childcare programs, and other social service providers.
- Set up partnerships with microenterprise support programs that will be of benefit to Neighborhood Networks center customers. For example, another local computer resource center may be able to run a training program in QuickBooks at the center. Microfinance institutions may want to run training programs at the center, hold orientation meetings for potential borrowers, or sponsor savings programs to help microentrepreneurs build a capital base. Other organizations may be willing to run mentoring or apprenticeship programs for center entrepreneurs or help them network to access new markets.
- Form a peer group if there are high concentrations of people in a similar business.
- Run marketing fairs to display and sell the products produced by local entrepreneurs. Invite outside business associations, such as the local Chamber of Commerce or the Rotary Club, to sponsor or attend the fair.

- Contact the local housing authority to determine what types of contracting needs it has and post these at the center.
- Collect good examples of business plan outlines, contracts, QuickBook files, and marketing fliers to give entrepreneurs models to follow in creating their own documents and planning. These would be useful both on paper and available on the center's computers.
- Go back into the community to ensure the microenterprise services being provided are well understood and will be used. The Neighborhood Networks center manager will play a crucial role in outreach and in providing moral support to the entrepreneurs who use the center.

Endnotes

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² Association for Enterprise Opportunity/ Neighborhood Networks Conferences, “Microenterprises Build Communities,” September, 1998.

³ Langer, Jennifer; Jackie Orwick; and Amy Kays. *1999 Directory of U.S. Microenterprise Programs.* (Washington, D.C.: The Aspen Institute, 1999).

⁴ Research conducted by the Self-Employment Learning Project (SELP). “The Practice of Microenterprise in the U.S.” The Self-Employment Learning Project, Edcomb, Klein and Clark.

⁵ “Where There Is No Job,” John P. Grierson, Swiss Centre for Development Cooperation in Technology (SKAT) 1994. E-mail: info@skat.ch.

Neighborhood Networks Information

For more information about Neighborhood Networks, visit the Neighborhood Networks Web site at www.NeighborhoodNetworks.org, or contact the Neighborhood Networks information center toll-free at (888) 312-2743, or TTY at (800) 483-2209. The Web site contains valuable information for centers including:

HUD NN Coordinators

Neighborhood Networks Coordinators listing.

Center Database

Information about operational centers and those in planning. Neighborhood Networks Centers across the U.S. listed geographically by state.

Property Database

Information about Neighborhood Networks Properties listed geographically by state.

Resources Database

Information about funding, technical assistance, publications, and Web site resources.

News Database

Articles, press releases, success stories, and grand openings relevant to Neighborhood Networks.

List of Conferences

Training Calendar of Conferences and Training Events.

List of Resident Associations

Listing of Neighborhood Networks Properties with active Resident Associations.

Neighborhood Networks Consortia

List of Neighborhood Networks Consortia

Senior Properties

Listing of Senior Properties with Operational Neighborhood Networks Centers.

Online Networking

Talk with Neighborhood Networks staff and stakeholders via Online Networking.

- **Fact sheets.** Fact sheets are one-page summaries of various topics relevant to the operations of Neighborhood Network centers. Fact sheets that are currently available include an overview of the initiative, telehealth programs, health information, health partnerships, childcare, transportation, seniors, and community improvements at Neighborhood Network centers.
- **News Brief.** (current and past issues): A quarterly newsletter that highlights national achievements for a wide audience including partners and the public.
- **NNewsline.** (current and past issues): A quarterly newsletter that highlights topics of interest to Neighborhood Networks centers and coordinators.